The background image shows three people in an office. A man in the center is wearing glasses and a headset, looking down at a device. To his left, another man is partially visible, also looking down. To the right, a woman is looking towards the center. The entire image is overlaid with a blue grid pattern.

Office 2010: The future of knowledge worker productivity software

**Marc Chardon
GM, Business Development
Productivity and Business Services**

Agenda

- Office History and “Crisis”
- Redefine the Market
- KW Strategy and Business Dream
- Office in 2010?
- Where We Need Help

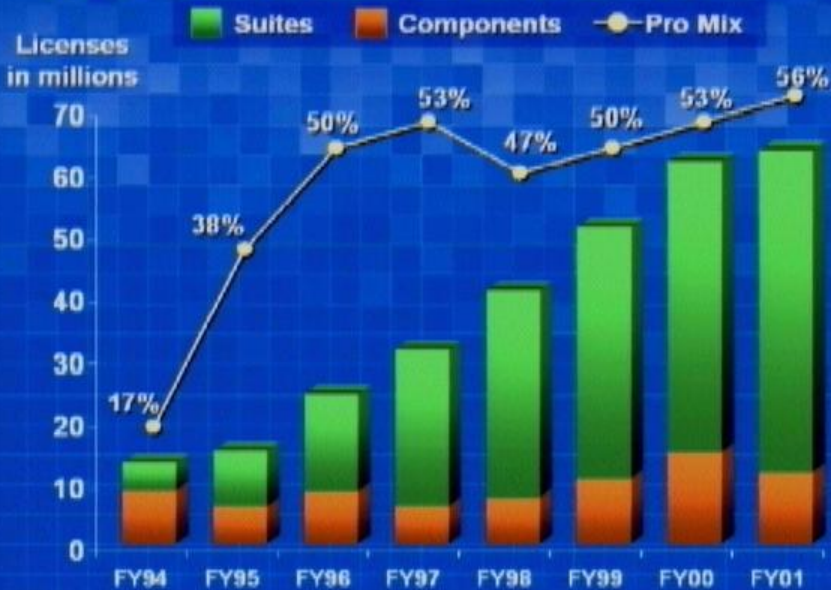
Productivity Innovation

- Bet on graphical user interface (GUI)
- Bet on family of applications
- PowerPoint – transforming presentations
- Outlook – desktop information management
- Content authoring and tools

~300M users of Office applications

\$8B business

Growth In Office Suite



Key Challenges

- Traditional desktop productivity needs perceived as largely solved
- End user enthusiasm is low
- CIOs resist upgrades and lock down the desktops
- Office perceived expensive versus PC
- “Coasting” on EAs and VUPs

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Office YOY Growth



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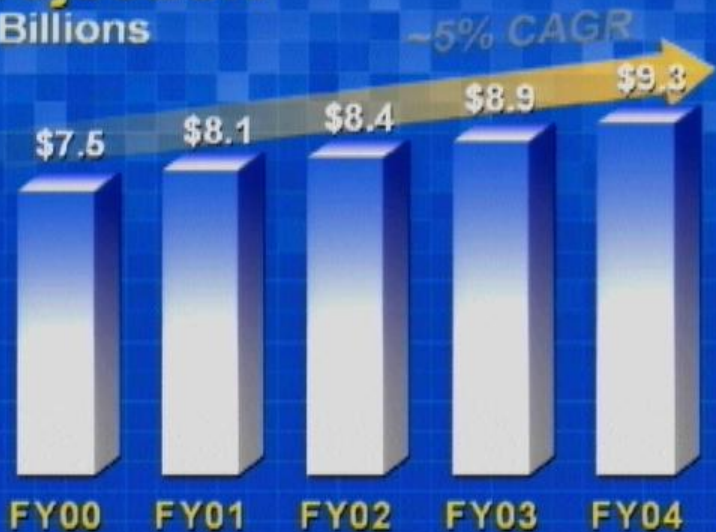
Office Growth Projection

In Billions

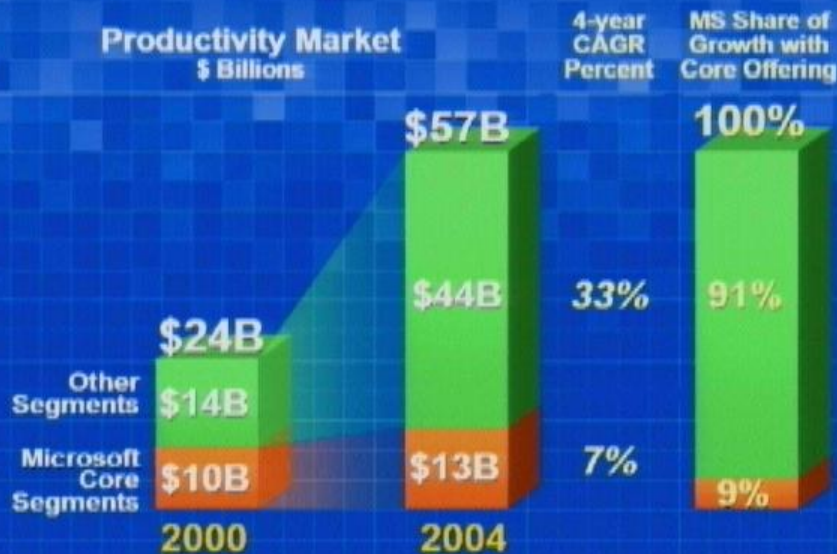


Microsoft

Office



Projected Share of Market and Growth



“When you have high market share, re-define your market as a bigger opportunity where you have lower share and the opportunity for growth.”

Jack Welch

CEO Opinion Poll

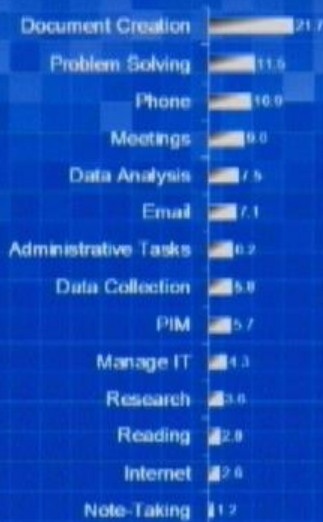
- Which of these advances will have the greatest impact on the success of your business in the next 5 years?

(choose one)

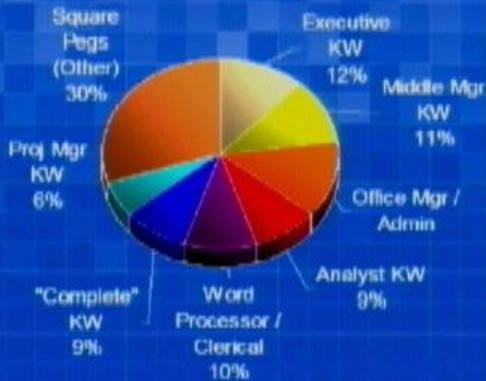
- ☐ Knowledge worker productivity
- ☐ Partner/Supplier B2B relationships
- ☐ Business process integration
- ☐ Manual worker productivity

The KW Day is Spent

% of Time Performing Each Activity



Office User Segments



Other Emerging Market/Mindshare Leaders

Productivity
platform
services

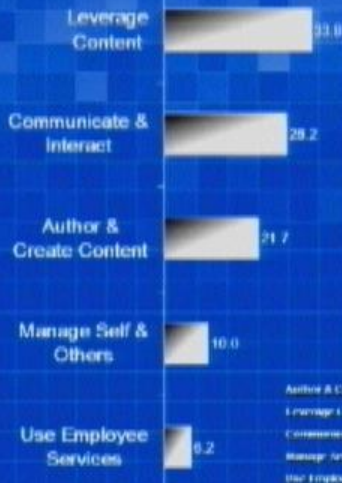
Productivity products and services

Author	Leverage	Communicate	Manage	Employee services	
Author text	Content mgmt <ul style="list-style-type: none"> Documentum OpenText 	E-mail and scheduling	PIM	Admin/prof services <ul style="list-style-type: none"> InterPro Concur Tech. 	Connectivity <ul style="list-style-type: none"> eTunnels
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New entrants are active in high-growth segments

Office User Segmentation

% of Time Performing Each Activity



Author & Create Content -
Leverage Content -
Communicate & Interact -
Manage Self & Others -
Use Employee Services -

Document Creation

Project Mgmt., B. Analysis, B. Administration, B. Research, B. Learning, B. Marketing

Project, Process, Marketing

PM, Manager II

Administrator

*Preliminary Results from Office Diary Study
Russ Rosnick, February 2002, Office Product Planning*

Knowledge Worker Productivity Opportunity

Productivity products and services **\$22B, \$50B, (23%)**

Productivity platform services



Targeted Short-List Of Markets

Productivity products and services

Productivity platform services

Author	Leverage	Communicate	Manage	Employee services	
Author text	Content mgmt	E-mail and scheduling	PIM	Admin/prof services	Connectivity
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Short-List of Markets

- Large Market Size & CAGR%
- Strategic Leverage Point
- Redefine to include RAD

Summary Of Competitive Overview

Productivity
platform
services

Productivity products and services

Author	Leverage	Communicate	Manage	Employee services	
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Microsoft's key competitors are staking claims in growing segments

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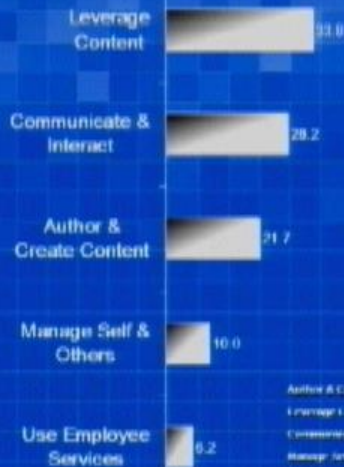
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% of Time Performing Each Activity



Author & Create Content -
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Document Creation

Problem Solving, Analysis, Information Gathering, Decision Making, Internet Browsing

Travel, Phone, Meetings

HRM, Management

Administrative

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New entrants are active in high-growth segments

Knowledge Work

Access

- Information
- People
- Subscribe



Absorb

- Reading
- Annotating
- Analysis



- Secure Exchange
- Automating Business Processes / Workflow
- Any Time, Any Place, Any Device
- Always Works; Always Up to Date
- Unified Storage
- Natural Language

Summary Of Competitive Overview

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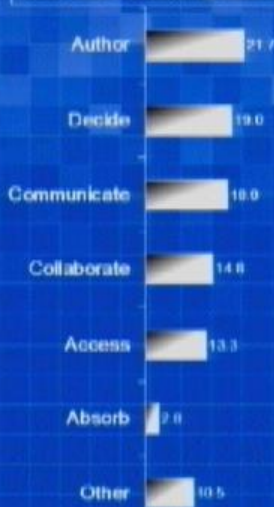
Microsoft's key competitors are staking claims in growing segments

Knowledge Work



Office User Segmentation

% of Time Performing Each Activity



Access - Data Collection, Research, Information Gathering, Interview

Absorb - Reading

Collaborate - PM, Meetings

Author - Document Creation

Decide - Problem Solving, Data Analysis

Communicate - Phone, Email

Others - Admin, Managerial

Early Directions

Portals

- SPS as a competitive wedge
- Team focused on launching V2 and merging platforms with STS

Content Management

- nCompass acquisition
- nCompass now sold as MS Content Management Server

CRM

- Decision to build versus buy

Meetings, Presentations, & RTC

- Included in Office 11
- MS solution potential linking Office, Windows Media, Messenger, Scribbler, Ring Cam, Digital Meetings Server

BI

- Maximal acquisition
- Creation of BI plans in Office (Office BI)

Break Out Of The VUP Cycle



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Break Out Of The VUP Cycle



Knowledge Worker Business Strategy

“Partition the Value”



Knowledge Worker Business Strategy

The Second Suite

Scribbler

XDocs

Next Generation
Communication?
CRM Connector?
RT/Digital Meetings?

Visio?
Other?

BI

Access?
Biz Connectors?

4
KW
Solutions
Group

5
KW
Marketing,
Service,
& Sales
Force

6
Office
"Home"
"Small
Business"

2
Office
Client & Services

3
Servers for
Advanced KW
Scenarios

KW Server
STS + Win

The KW Business – A \$20B Dream

Grow from \$9B to \$20B in 6 years

Assumptions:

- 150M legal Office desktops at ~ \$53/desktop or \$8B
- 40 M Exchange desktops at \$15/desktop or ~ \$600M
- Legal Office penetration projected at 220M desktops in 5-6 years

Office


- Keep Office "fresh" by taking advantage of platform enhancements
- Maintain \$50+/legal desktop value while growing to 220M desktops
- Office total of \$11B in 5-6 years; \$3B of growth

The Second Suite

- Achieve 50%+ penetration of legal Office desktops, with suite of equivalent value
- Categories must achieve 25%+ penetration at \$295-\$395 price point
- Second suite total of \$5.5B

The KW Servers/Services

- Contribute to value of Windows server by providing base level of KW support -- maintain 50-70% usage share.
- For advanced scenarios achieve 35% penetration of legal Office desktops; CAL+Server or Service gross margin value of \$45/desktop
- Advanced KW Server/Services total of \$3.5B

A photograph of three business professionals in an office setting, overlaid with a blue grid pattern. A man in a suit is on the left, a woman with glasses is in the center, and another man is on the right. They appear to be in a meeting or collaborative work environment. The text "Change before you have to" is centered over the image in a bold, yellow font.

**Change before
you have to**

Jack Welch's 5th Rule

KW Value Creation

1980s

- Authoring tools

- GUI
- Suite

1990s

- Communication – getting networked
 - Email
 - Intranet
 - Internet

2000s



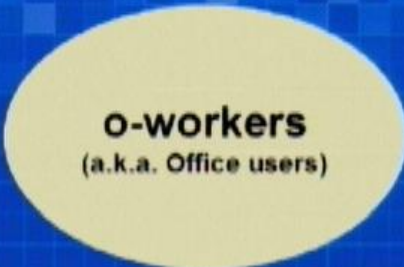
- XML Web Services
- Communication – digital convergence
 - Video, phone/v-mail, email, computer, fax, paper
- Digital ubiquity – multiple devices
- Paperless
- KW solutions

How to grow the business: evolution

o-workers

(a.k.a. Office users)

How to grow the business: evolution



o-workers

(a.k.a. Office users)

1. Offer software for new kinds of work outside the two hours the typical high impact KW uses Office per day
2. Increase usage among casual users by offering more value

How to grow the business: Revolution

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How to grow the business: Revolution

o-workers

(a.k.a. Office users)

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2. Increase usage among casual users by offering more value
3. **Attract new users to the market category by adding software value where today there are non-software processes**

How to grow the business: Revolution

o-workers

(a.k.a. Office users)

How to grow the business: Revolution



The diagram consists of a large white oval centered on a blue grid background. Inside the white oval, on the left side, is a smaller yellow oval. The text 'o-workers' is centered within the yellow oval, and '(a.k.a. Office users)' is centered below it. To the right of the yellow oval, within the white oval, is the text 'i-worker' centered, with '(people who use or observe info)' centered below it.

o-workers
(a.k.a. Office users)

i-worker
(people who use
or observe info)

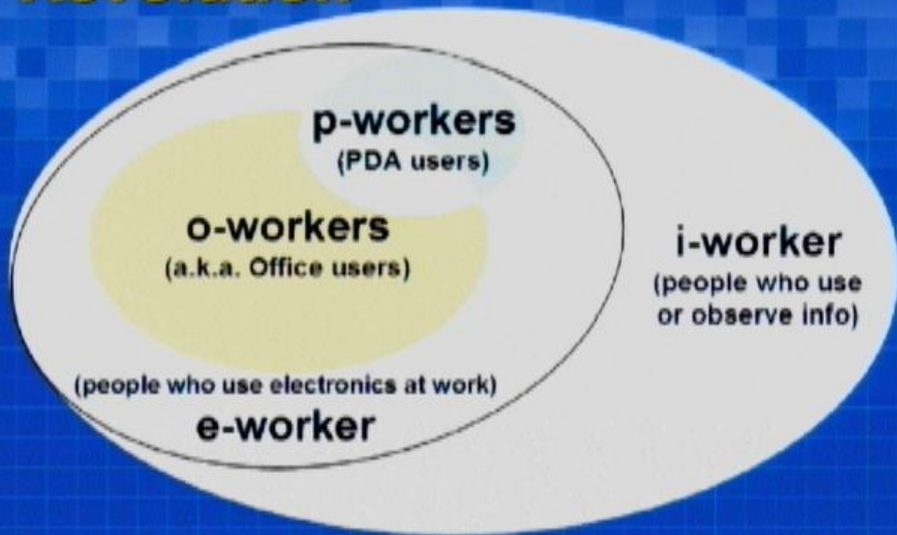
How to grow the business: Revolution

p-workers
(PDA users)

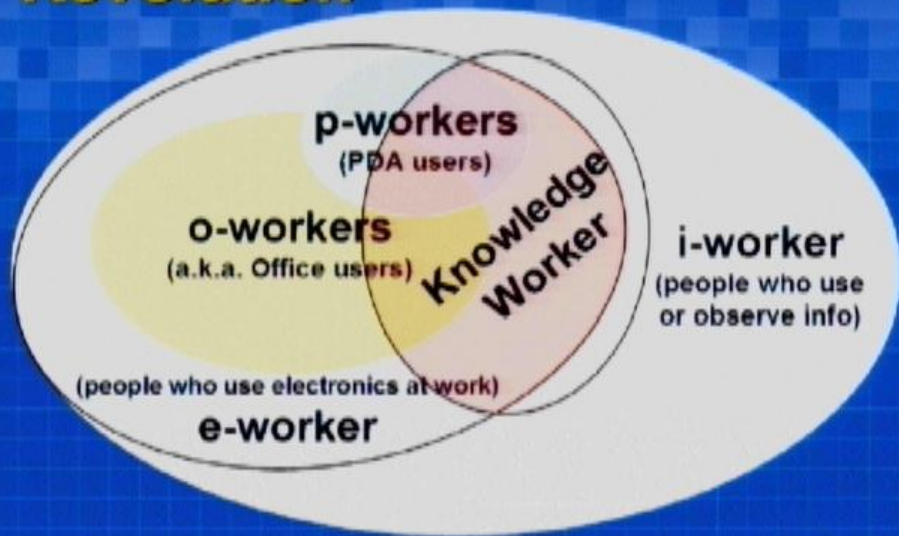
o-workers
(a.k.a. Office users)

i-worker
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or observe info)

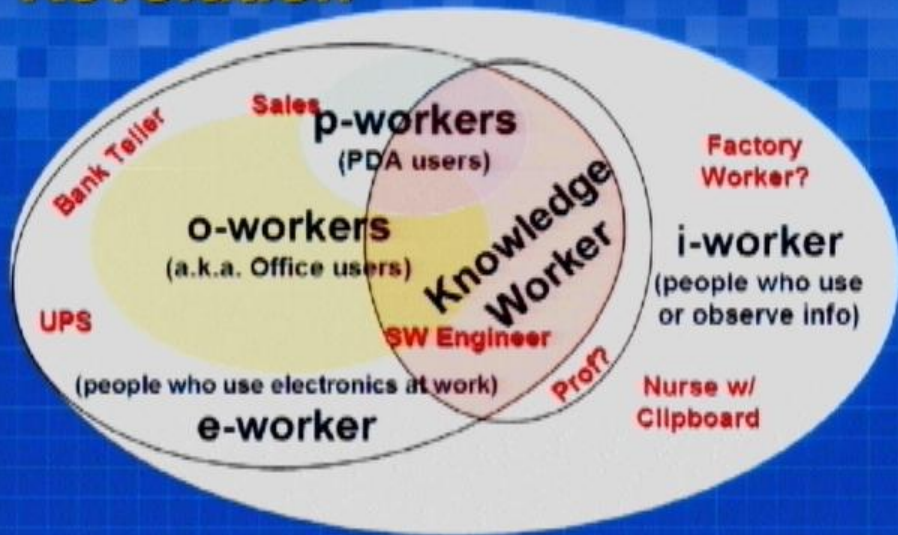
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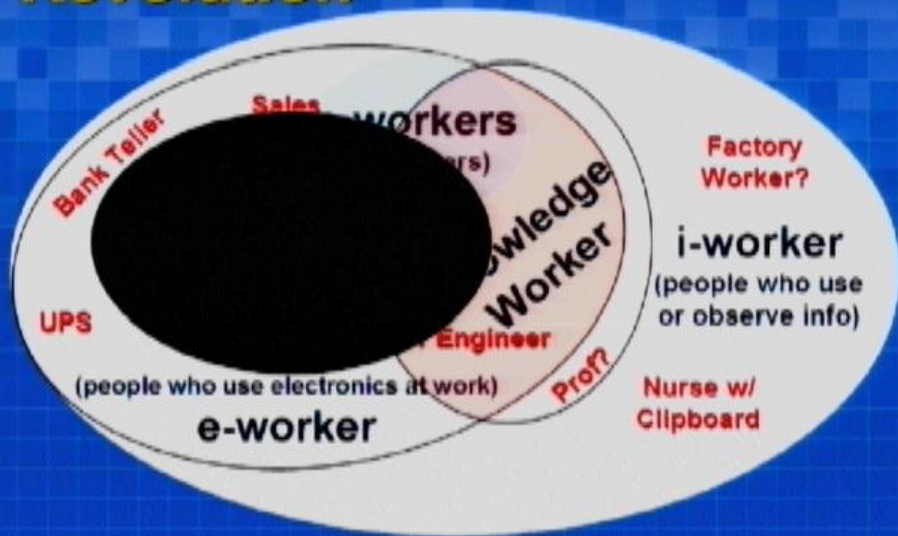
How to grow the business: Revolution



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How to grow the business: Revolution



Hypotheses: i-Worker Value (or is it e-Worker Value?)

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Hypotheses: i-Worker Value (or is it e-Worker Value?)

- Digitize once, early (TabletPC, X-doc)
- Put e-work in the worker's context: case, claim, project, task, customer, supplier (Juggler, Halifax,...)
 - Make e-work platforms context-relevant to business and personal use
- Make 'ad hoc' workflow really work
- Bring the right software to the right (personal) device to turn i-workers in e-workers